

PROJECT PLAN

TAX INCREMENT DISTRICT NUMBER THIRTY-THREE
CITY OF RAPID CITY

Prepared by the
Rapid City Planning Department
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INTRODUCTION

Tax Increment Financing is a method of financing improvements and development in an area which has been determined to be blighted according to the criteria set forth in SDCL 11-9. All this is done without incurring a general obligation for the taxpayers of the entire City.

The assessed value of a district is determined by the South Dakota Department of Revenue at the time the district is created by the City Council. This valuation is termed the Tax Increment Base Valuation for the district, or simply the "base valuation." As the property taxes for the property are paid, that portion of the taxes paid on the Base Valuation continue to go to those entities, (City, County, School, etc.), which levy property taxes.

When in succeeding years, the assessed valuation of the district increases, the total property taxes paid by the owners of property in the district will increase accordingly. That increase in taxable valuation is the "increment." When the tax bills are paid, only that portion of the tax bill which results from the Base Valuation, is paid to the taxing entities. The remainder of the tax bill, known as the Tax increment, is deposited in a special fund. It is this plan which determines how these accumulated funds will be used. It should be noted that based on changes in state statute in 1996, an additional tax is levied against all property within the School District's jurisdiction to make up for the School District's share of the increment. Thus, the School District continues to receive tax revenue based on the full valuation of the property within the district. However, pursuant to SDCL 13-13-10.2 provides an exception for tax increment districts created for industrial purposes.

This financing method is invaluable for encouraging growth and development in areas with special development problems, since the amount of funds available for use by the project plan is directly related to the increase in valuation which a given project or development will create.

OVERVIEW

This plan proposes that a Tax Increment District be created to facilitate the acquisition of 15 acres of land for the construction of a 50,000 square foot building in the Rushmore Business Park. The project will facilitate the expansion of the Fenske Media business in Rapid City resulting in the retention of 18 jobs and the hiring of 10 additional employees. The estimated cost of the improvements is \$392,000.

Private financing will be obtained for acquisition of the land, and will be repaid by the Tax Increment District. The applicant will be responsible for any shortfall in funding. The City will be responsible for passing on any revenues received. Should the tax increment revenues exceed the anticipated loan payments, the district debt would be retired early resulting in the full value of the property being returned to the tax roles more quickly.

The applicant will waive the use of the discretionary formula.

PROJECT PLAN SUMMARY

This plan establishes the total project costs, as well as the Tax Increment District funded costs.

Elements of the Project Plan

This Project Plan, as required by SDCL 11-9-13, will address the following elements:

- 1) Public Works and Other Improvements;
- 2) Economic Feasibility Study;
- 3) Project Costs;
- 4) Fiscal Impact Statement; and,
- 5) Financing Method Description.

Additionally, the following exhibits are offered:

- I. General Vicinity map;
- II. Tax Increment district Boundary Map;
- III. Map of Existing Zoning;
- IV. Map of Existing Land Use; and,
- V. Map of Public and Other Improvements.

The Statement of Method for Relocating Displaced Persons, as well as the Statement of Changes Needed in Master Plan, Building Codes and Ordinances do not apply to this Project Plan and have not been included in this document.

ELEMENTS OF THE PROJECT PLAN

1. PUBLIC WORKS AND OTHER IMPROVEMENTS

The project plan includes capital costs associated with the acquisition of 15 acres of land for the purpose of constructing a 50,000 square foot building in the Rushmore Business Park.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Thirty-Three is proposed for creation in accordance with SDCL 11-9-2 to 11-9-11. A vicinity map as well as a boundary map is attached. As of this date, the assessed valuation for the proposed district is \$392,000. In accordance with SDCL 11-9-20, certification of the base value will be requested from the South Dakota Department of Revenue following creation and approval of the district by the City Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY IN TID #33

\$392,000

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$ 392,000
Estimated Assessed Value of project	\$ 2,500,000

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Other Anticipated Increases in Assessed Value	\$	0
Estimated Increase in Assessed Value of Land**	\$	0
Estimated Total Valuation	\$	2,892,000

**For purposes of this Tax Increment District, the increase in land value is not included in these estimates. Any additional value will pay off the loan earlier than anticipated.

Revenue Estimates from Tax Increments

The Plan anticipates 26 semi-annual payments over 13 years; however, the district may be extended up to twenty years, if necessary, to recover all the project costs. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2001 Tax Levies and Percentage of Total Levy

<u>Taxing Entity</u>	<u>Tax Levy</u>	<u>Percentage of Total Levy</u>
Rapid City Area School District	18.7151	67%
Pennington County	5.3888	20%
City of Rapid City	3.4252	12%
West Dakota Water District	.0373	1%
Total Mill Levy	27.5664	100%

Anticipated 2001 Non Agriculture Tax Rate: 0.0275664

The estimated tax increment available to pay for project costs in the Plan can be calculated by multiplying the anticipated tax rate by the increment in valuation. This calculation results in the following tax increments, which become available as taxes are paid for the applicable periods.

PROJECTED TAX INCREMENT INCOME

<u>ASSESSMENT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TAX INCREMENT PAYMENT</u>
Nov 2002	2004	\$2,500,000	\$ 68,916
Nov 2003	2005	\$2,500,000	\$ 68,916
Nov 2004	2006	\$2,500,000	\$ 68,916
Nov 2005	2007	\$2,500,000	\$ 68,916
Nov 2006	2008	\$2,500,000	\$ 68,916

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Nov 2007	2009	\$2,500,000	\$ 68,916
Nov 2008	2010	\$2,500,000	\$ 68,916
Nov 2009	2011	\$2,500,000	\$ 68,916
Nov 2010	2012	\$2,500,000	\$ 68,916
Nov 2011	2013	\$2,500,000	\$ 68,916
Nov 2012	2014	\$2,500,000	\$ 68,916

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/14:
\$ 758,076

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2001 mill levy.

3. PROJECT COSTS

Capital Costs – No capital costs are anticipated for the Project Plan

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate used for these projections is 9%. It is estimated that the financing costs will total \$ 346,770.47.

Real Property Assembly Costs – The real property assembly costs for the project is the acquisition of 15 acres of land for the construction of a 50,000 square foot building in the Rushmore Business Park. Completion of the building is scheduled for November 1, 2002.

Professional Service Costs – No Professional service costs are anticipated in the Project Plan.

Relocation Costs – No relocation costs are anticipated in the Project Plan.

Organizational Costs – No organizational costs are anticipated in the Project Plan.

Necessary and Convenient Payments – No Contingency costs are anticipated in the Project Plan.

Imputed Administrative Costs – All Tax Increment District actions require municipal staff time to prepare and enact. The City shall be reimbursed on December 1, 2006, for its administrative costs in the amount of \$2050. However, in no case shall the City be reimbursed less than \$1 on December 1, 2006.

ESTIMATED PROJECT COSTS

Capital Costs: \$ 0

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Financing Costs:		
Financing interest		\$ 346,770.47
Professional Fees		\$ 0
Real Property Assembly Costs		\$ 392,000.00
Relocation Costs:		\$ 0
Organizational Costs:		\$ 0
Necessary and Convenient Costs:		\$ 0
Contingency:		
TOTAL		\$ 738,770.47
Imputed Administrative Costs*		
City of Rapid City		\$ 2,050

*The imputed administrative costs are interest-free, are not included in the total project costs, and are to be paid from the balance remaining in the TID #33 fund available to the City Finance Officer on December 1, 2006.

4. FISCAL IMPACT STATEMENT

The impact on taxing entities can be derived from determining the tax increment anticipated during the life of the district. The true impact on taxing entities of the Plan is the increase in valuation of the property within the Tax Increment District. The taxing entities are only foregoing that income during the life of the district and will realize that income as soon as the debt from the project costs in the Plan is retired. The purpose of this Plan is to encourage that increase in valuation.

At first glance it may appear that the negative impact on the various entities is notable. But when it is considered that without the use of the Tax Increment Finance proposed in this plan it is very likely that there would be no increase in the taxable value of the property within this district or, at least, any increase would be significantly delayed, the impact can be considered truly positive.

NET IMPACT ON TAXING ENTITIES

Year	Valuation	Schools*	County	City	Water	Tax
Paid	Increase					Increment
2004	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916
2005	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916
2006	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916
2007	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916
2008	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916
2009	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916
2010	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916
2011	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916

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2012	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916
2013	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916
2014	\$ 2,500,000	\$ 0	\$ 13,783	\$ 8,270	\$ 689	\$ 68,916

*Pursuant to SDCL 13-13-10.2 it appears that this district may not impact the school aid formula.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan will come from private financing by Fenske Media. Any shortfall in funding will be the responsibility of the applicant.

PROJECTED AMORTIZATION RATE

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	06/01/2002	392,000.00	17,640.00	0.00	409,640.00	17,640.00
2	12/01/2002	409,640.00	18,433.80	0.00	428,073.80	36,073.80
3	06/01/2003	428,073.80	19,263.32	0.00	447,337.12	55,337.12
4	12/01/2003	447,337.12	20,130.17	0.00	467,767.29	75,467.29
5	06/01/2004	467,767.29	21,049.53	13,408.47	454,358.82	96,516.82
6	12/01/2004	454,358.82	20,446.15	14,011.85	440,346.96	116,962.97
7	06/01/2005	440,346.96	19,815.61	14,642.39	425,704.58	136,778.58
8	12/01/2005	425,704.58	19,156.71	15,301.29	410,403.29	155,935.29
9	06/01/2006	410,403.29	18,468.15	15,989.85	394,413.43	174,403.43
10	12/01/2006	394,413.43	17,748.60	16,709.40	377,704.04	192,152.04
11	06/01/2007	377,704.04	16,996.68	17,461.32	360,242.72	209,148.72
12	12/01/2007	360,242.72	16,210.92	18,247.08	341,995.64	225,359.64
13	06/01/2008	341,995.64	15,389.80	19,068.20	322,927.45	240,749.45
14	12/01/2008	322,927.45	14,531.74	19,926.26	303,001.18	255,281.18
15	06/01/2009	303,001.18	13,635.05	20,822.95	282,178.23	268,916.23
16	12/01/2009	282,178.23	12,698.02	21,759.98	260,418.26	281,614.25
17	06/01/2010	260,418.26	11,718.82	22,739.18	237,679.08	293,333.08
18	12/01/2010	237,679.08	10,695.56	23,762.44	213,916.64	304,028.63
19	06/01/2011	213,916.64	9,626.25	24,831.75	189,084.88	313,654.88
20	12/01/2011	189,084.88	8,508.82	25,949.18	163,135.70	322,163.70
21	06/01/2012	163,135.70	7,341.11	27,116.89	136,018.81	329,504.81
22	12/01/2012	136,018.81	6,120.85	28,337.15	107,681.66	335,625.66
23	06/01/2013	107,681.66	4,845.67	29,612.33	78,069.33	340,471.33
24	12/01/2013	78,069.33	3,513.12	30,944.88	47,124.45	343,984.45
25	06/01/2014	47,124.45	2,120.60	32,337.40	14,787.05	346,105.05
26	12/01/2014	14,787.05	665.42	14,787.05	0.00	346,770.47